ABSOLUTE STRATEGIES FUND

Quarterly Analysis - Q3 2016

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FUND POSITIONING:

It is not a bold statement to say that markets have become more correlated as a result of central bank activity, and corresponding investor reaction. This appears true whether looking across asset classes, traditional strategies, hedge fund strategies, or at stocks within an index. Asset flows out of active strategies into passive ones have also likely exacerbated this effect.

We think there is a significant long-short opportunity due to the fact that business activity for individual companies has not been as correlated as market prices. Some companies are doing well; some are not. Some companies face growth prospects; others significant competition and headwinds. Currency movements and changes in commodity prices can impact companies differently. Add valuation metrics to that mix and it highlights a substantial gap in relative value available to be exploited without making a big bet on market direction.

This dynamic helps explain why the Fund has largely maintained a balance of longs and shorts across equity and credit for some time. A smaller portion of the Fund has been used opportunistically to add certain long exposure during sell-offs and to add certain short exposure during rallies.

This positioning is not esoteric, but does seem to be very different than how most hedge funds and alternative mutual funds are positioned. This is by design. The ability to preserve capital, to generate alpha, and to help diversify portfolios requires us to look beyond areas that other investors are crowded into.

Concentrated Long Biased Equity Strategies vs. Broad Market Indices (Short) - Allocation: 35% Boston Company Asset Mngmt, Long/Short Equity and Credit Kovitz Investment Group, Long/Short Equity St. James Investment Company, Opportunistic Equity Yacktman Asset Management, Opportunistic Equity Absolute Investment Advisers, Macro Positioning	This group combines several strategies that are long biased with different approaches to fundamental value investing. These strategies often utilize a limited number of positions. Aggregate positioning is focused on companies with strong balance sheets and the ability to withstand a variety of different economic environments, particularly margin pressure. Short exposure consists mainly of broad market indices but also certain sector funds or single name securities. Some short exposure is derived by the Sub-Advisers; some short exposure is derived by Absolute. This group has been net short at times. (Percentage reflects allocations to external manager strategies only.)
Global Short Biased Equity Strategy - Allocation: 20% Longhorn Capital Partners, Global Long/Short Equity	This group consists of one strategy based on shorting a number of individual equity securities and using long broad market equity securities to moderate exposure levels. Positioning has been focused on companies with sensitivity to slowing global growth – financials (US, Europe, Asia), consumer cyclicals, industrials.
Market Neutral / Hedged Credit Strategies - Allocation: 24% LakeWater Capital, Long/Short Credit Mohican Financial Management, Convertible Arbitrage	The Fund's credit exposure is solely in strategies that either have a natural hedge component (Mohican's convert arb) or currently have a balance of longs and shorts (Lakewater's L/S corporate credit). The idea is to isolate security selection while mitigating sensitivity to the seemingly large risks facing the bond markets. This group does contain certain short positions that may benefit from weakness in the bond market in addition to company specific events.
Special Situation / Sector Strategies - Allocation 15% Harvest Capital Strategies, Long/Short Equity, Agriculture Focus Sabal Capital Management, Special Situations	This group contains two long-short equity strategies with low to moderate net exposure. Each strategy is highly unique and tends to exhibit little correlation with each other or the broader equity markets. One common trait across the two managers is a focus on changing dynamics - either within a company or across a sector, and how those changes may be misinterpreted by the market.

FUND PERFORMANCE:

To the right is a chart of the Fund's performance for the first three quarters of 2016. For the third quarter, the Fund returned negative 2.89%. By comparison, the S&P 500 returned +3.85% and the HFRX Global Hedge Fund Index +2.18%. While losses are never enjoyable, the Fund's performance in the quarter highlights how gains and losses for the Fund are not necessarily tied to broad market indices or average hedge fund strategies.

	Q1 2016	Q2 2016	Q3 2016
ASFIX	3.0%	3.1%	-2.9%
HFRX Global	-1.9%	1.1%	2.2%
S&P 500	1.4%	2.5%	3.9%

Quarter-End Performance for ASFIX: As of 09/30/16, the 1 year, 5 year and 10 year annualized performance for the I- Share was 0.33%, 0.49% and 1.87% respectively.

Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than the original cost. Annualized returns current to the most recent month-end can be obtained by calling the Fund at 888-99-ABSOLUTE. As stated in the current prospectus, the Fund's total annual operating expense ratio for Institutional Shares is 2.68%. Excluding the effect of expenses attributable to dividends on short sales and acquired fund fees and expenses, the Fund's total annual operating expense ratio was 1.85% for Institutional Shares. Returns include the reinvestment of dividends and capital gains. Some of the Fund's fees were waived or expenses reimbursed; otherwise, returns would have been lower.

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SELECT MANAGER HIGHLIGHTS & COMMENTARY:

When investors (like us) build a process for hiring potential managers, one important thing to be aware of is the pressure on hedge fund managers to deliver short-term performance. This pressure exists for a whole host of reasons - competition for allocations, keeping up with rival funds, achieving incentive fees, or internal compensation dynamics.

The need to produce short-term performance can often lead to chasing the market or chasing names that "are working". The risk is that this can turn into negative alpha if markets move back and forth ("getting whipsawed") rather than just trend in the same direction. This may help explain poor hedge fund performance over the last year.

For the Fund, our focus has been on utilizing managers that understand that significant performance can be generated by deploying capital during sell-offs or simply not selling when things go down. Most often, a fundamental/value/research orientation gives these managers the conviction to do so. Mohican's convertible arbitrage strategy over the last year is a good example of this. Comments from the firm's portfolio manager, Eric Hage, are below:

> The convert market entered 2016 at very cheap valuations. Implied convertible credit spreads were pushed much wider in 2015 as the high yield market weakened with the collapse in oil leading to expectations of a big jump in default rates. Even though the convertible market had limited exposure to oil prices, convertible prices were punished in sympathy with the overall move in high yield.
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> Exacerbating the move wider in credit spreads was the lack of liquidity provided by dealers who were unwilling to take on positions. Small and mid-cap unrated convertible companies that we focus on were especially punished even though nothing fundamentally about these companies was deteriorating. Fears turned to panic when credit mutual funds suspended redemptions in December 2015 (i.e., Third Avenue Management). The negative atmosphere spilled over into early 2016 until oil found a bottom and began to rebound in February. At that point buyers finally stepped into high yield and convertible valuations began to rebound from extremely depressed levels.
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> It is important to understand that our gains in 2016 have had nothing to do with timing the move in credit spreads correctly. When looking at our top 20 P&L gainers in 2016, these names are smaller cap companies that we have been positioned in for many years. We have had years of accumulated knowledge of these companies which gave us the confidence to hang on and not panic sell them at depressed levels. 4 of the 20 names were actually taken over and takeover protection is now standard in the convert market (conversion ratio adjust higher on cash takeovers allowing us to be short underlying stock and still make money on overall position). In addition, convertible arbitrage, has a core strength in that these securities are forced back to fair value in a fairly short defined timeline.
>
> *MOHICAN FINANCIAL MANAGEMENT, LLC*
> *Convertible Arbitrage*

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ABSOLUTE
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Definitions: *Beta is the measure of a fund's relative volatility as compared to the S&P 500 Index which by definition is 1.00. Accordingly, a fund with a 1.10 beta is expected to perform 10% better than the Index in up markets and 10% worse in down markets.*

Additional Risks:

Since the Fund utilizes a multi-manager strategy with multipl Sub-Advisers, it may be exposed to varying forms of risk. The Fund's net asset value and investment return will fluctuate based upon changes in the value of its portfolio securities. There is no assurance that the Fund will achieve its investment objective, and an investment in the Fund is not by itself a complete or balanced investment program. For a complete description of the Fund's principal investment risks please refer to the prospectus.

The Fund is non-diversified and may focus its investments in the securities of a comparatively small number of issuers. Concentration in securities of a limited number of issuers exposes a fund to greater market risk and potential monetary losses than if its assets were diversified among the securities of a greater number of issuers.

The Fund may invest in small- and medium-sized companies

which involve greater risk than investing in larger, more established companies, such as increased volatility of earnings and prospects,higher failure rates, and limited markets, product lines or financial resources.

The Fund may invest in foreign or emerging markets securities which involve special risks, including the volatility of currency exchange rates and, in some cases, limited geographic focus, political and economic instability, and relatively illiquid markets

The Fund may invest in debt securities which are subject to interest rate risk. An increase in interest rates typically causes a fall in the value of the debt securities in which the Fund may invest. The Fund may also invest in high yield, lower rated (junk) bonds which involve a greater degree of risk and price fluctuation than investment grade bonds in return for higher yield potential. The Fund's distressed debt strategy may involve a substantial degree of risk, including investments in sub-prime mortgage securities.

The Fund may purchase securities of companies in initial public offerings. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. The Fund may leverage transactions which include selling securities short as well as borrowing for other than temporary or emergency purposes. Leverage creates the risk of magnified capital losses.

The Fund may also invest in derivatives which can be volatile and involve various types and degrees of risks, depending upon the characteristics of a particular derivative. The Fund may invest in options and futures which are subject to special risks and may not fully protect the Fund against declines in the value of its stocks. In addition, an option writing strategy limits the upside profit potential normally associated with stocks. Futures trading is very speculative, largely due to the traditional volatility of futures prices.

Investors should carefully consider the Fund's investments objectives, risks, charges and expenses before investing. This and other information is in the prospectus, a copy of which may be obtained by calling (888) 992-2765 or visiting the Fund's web site: www.absoluteadvisers.com. Please read the prospectus carefully before you invest.

ABSOLUTEstrategies FUND

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